**Bidders’ Questions SAO Responses**

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| 1. Is the audit being put out to bid on normal cycle?  | 1. The contract does not have a fixed bid cycle. The current contract has a 5-year term; the former contract also had a 5-year term. Previous contracts were of a shorter duration. |
| 2. What are the current audit fees for the audit? Past three years? | 2. The contract base amount for the FY17 audit is $1,329,700; base price for FY15-17 is $3,911,900. Out-of-scope work has resulted in annual amendments totaling $980,185 for the FY15-16 period. Out-of-scope work includes GASB statements not effective when the contract began, the State health insurance exchange, and audit work for additional programs not included in the SOW. |
| 3. Can you please provide a copy of the current contract with the current audit firm? | 3. The contract, including attachments and amendments, will be posted on our website: <http://auditor.vermont.gov/content/rfp_information>  |
| 4. Does your current auditor perform interim work? If so, when is it performed and for how long? How many staff? What departments are typically available for testing at interim? | 4. Testing usually begins in early May and involves a couple of programs and auditors. Although there are breaks during the summer when there is no testing, due to vacation schedules, that has been the staffing pattern until late Sept/early October, when the audit presence ramps up. |
| 5. What is the desired audit fieldwork schedule for final fieldwork? | 5. CAFR fieldwork completed by late November (financial schedules are available Sept-Nov). A-133 test work to be completed by mid-January.  |
| 6. Is there a grant/contract department? If so, are these separate for each department? Are the grant records maintained in separate locations? If so, please detail locations where audit testing is performed. | 6. Most grants and contracts are handled within each department, almost all of which are located in the corridor between Montpelier/Barre and Burlington. Below are specific locations where audit testing is performed:* Human Services – Waterbury/Burlington
* Education – Barre
* Labor – Montpelier
* Transportation – Montpelier
* Public Safety – Waterbury
* Commerce & Community Development - Montpelier
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| 7. What level of assistance does management provide for the audit, i.e. schedules prepared, preparation of report, etc.? | 7. Finance & Management prepares the CAFR and the Schedule of Federal Expenditures; the IPA is responsible for preparing the single audit reports. Finance & Management has worked to improve the audit process by using a SharePoint site, to which the auditors have access, where requested documents and a calendar to track deadlines are posted. In addition, the department issued a new policy in September establishing a formal [policy](http://finance.vermont.gov/sites/finance/files/documents/Pol_Proc/Fin_Mgt_Policies/FIN-Policy_9_Single_Audit_Findings.pdf) for review and response to audit findings.  |
| 8. What software platform does the State use? | 8. Vermont uses an Oracle platform for the statewide financial system. However, a substantial amount of financial activity originates in other systems. Please see pp. 10-15 of the RFP for functional and technical descriptions of these other systems. |
| 9. Do you have plans to make changes to those software platforms?  | 9. See pp. 10-15 of RFP for upgrade/replacement information. For more detailed information, see the following links:<http://epmo.vermont.gov/sites/epmo/files/Reports/Data_FY17_4thQTR_Qtrly_Report%20%28003%29.pdf><http://www.leg.state.vt.us/jfo/reports/State%20of%20Vermont%20Million%20Dollar%20Technology%20Report%20December%202017%20final.pdf> |
| 10. What are your most significant concerns as an organization? | 10. Continued staff turnover in critical positions; budget and staffing impacts of federal changes to funding for Medicaid and other important State programs; IT impacts of reduced federal funding for needed MMIS and eligibility system upgrades and improvements to the State health insurance exchange; new IT governance structure; the status of major IT projects.  |
| 11. Who are they key individuals who interface with the auditors and have you experienced turnover in key roles within the organization? | 11. It depends on the department—some use the internal audit group to coordinate all meetings and document requests; in some cases there is a single contact, e.g., a financial officer, grants manager or administrative person. Staff turnover has been a concern for several years. A new Commissioner of Finance & Management was appointed last month, and the deputy position remains vacant. |
| 12. Do you have an Audit Committee or equivalent? If so, who are the current members of the Committee? | 12. There is no formal audit committee, however, there are regular audit status meetings beginning in August that include senior members of the IPA team, the Deputy Commissioner of Finance & Management, the director and assistant director of statewide financial reporting, the statewide grants administrator, the Deputy State Auditor, and the Deputy State Treasurer and/or financial director. |
| 13. Is there an Internal Audit Function? If so what is their focus? Who do they report to? Does your current auditor utilize any work done by your internal audit team? | 13. Some departments/agencies have an internal audit group, most of which are focused on monitoring sub-recipients and sub-contractors and report to internal management. The current IPA does not utilize any of their work, however, they often play a coordinating role during the audit. (See also #11) |
| 14. Are there any matters that require consideration in assessing the scope of this project over the proposed term? For example, any changes in the nature and scope of operations or expected changes in the grant funding at any of the entities? | 14. There is considerable uncertainty now regarding future federal funding and possible impacts on the State’s budget and operations. One audit concern related to cutbacks in federal funding is the risk of reduced oversight of contracts and grants. Several large IT projects have been delayed or significantly altered in scope—replacement of MMIS; integrated eligibility system. The State health insurance exchange has had considerable problems since it went live, and improvements have consisted mainly of patches and manual workarounds. The Governor is considering alternatives to the existing system. |
| 15. What was the fee for June 30, 2016 audit services for the State of Vermont? | 15. $1,303,600 |
| 16. Were there any additional billings from the auditor for the 2016 audit and, if so, what was the amount? | 16. There were $409,850 in additional charges for out-of-scope work, which included GASB statements not in effect when the contract began, the State health insurance exchange, and audit work for additional programs not included in the SOW. |
| 17. Were any audit adjustments made/ proposed by the incumbent auditor for the State of Vermont? If so, how many? | 17. There was one audit adjustment recorded for the FY 2016 year end. See the Summary of Adjustments, Table 2, for more detail:<http://auditor.vermont.gov/content/rfp_information> |
| 18. Does the State of Vermont anticipate any significant changes in operations such as significant new revenue sources within the initial three year period covered by the RFP? If so, are the newly expected sources federal funds?? | 18. Like all states, we are anticipating some changes in federal funding, which may significantly impact some programs negatively. No new State revenue sources are anticipated. |
| 19. How long has the incumbent auditing firm been engaged? Are they able to participate in the current bid? | 19. More than 20 years. There is no prohibition from them participating in the current bid. |
| 20. What is management's and governance's view on the desirability of transitioning to new auditors? | 20. The State values competition in the procurement process. The selection process will weigh any costs from a transition to new auditors against the benefits offered by a new IPA. |
| 21. Can you please provide the SAS 114 letter for the State of Vermont for the year ended June 30, 2016? | 21. SAS 114 communications were done verbally through meetings and presentations. There was no letter. |
| 22. Did the auditor prepare a management letter for the State of Vermont for the year ended June 30, 2016? If so, did management agree with any recommendations and were changes made to address any such recommendations? | 22. The management letter for the most recent audit has not yet been finalized. |
| 23. For findings reported as part of the Single Audit of the State of Vermont for the year ended June 30, 2016, have the respective departments and agencies made the recommended (or alternative) corrections? | 23. Corrective action plans are in process. Due to the varying complexities of the program requirements and the corrective action plans, these are in varying stages of completion. Also see answer to #38. |
| 24. The proposal provides a description of the internal audit function of the State of Vermont. While it is mentioned that the selected external auditor may not be able to rely on the work performed by the internal audit groups, has the incumbent or prior auditors incorporated the use of internal audit functions for the purposes of performing audit testing procedures? | 24. The current IPA does not utilize any of the work of the internal audit groups, however, they often play a coordinating role during the audit. |
| 25. What is the reason for issuing an RFP? | 25. The contract expires on 6/30/18. |
| 26. Is there a mandatory IPA rotation requirement? | 26. Vermont has no rotation requirement. |
| 27. Are the current auditors eligible to submit a proposal? | 27. Yes. |
| 28. What is important to you in selecting an independent auditor? What attributes/criteria are you looking for in an independent auditor? | 28. See Sec. 4.0 of the RFP and particularly the weighting of the four factors in the technical proposal (p.22). |
| 29. How long have the current auditors been the auditors for the State? | 29. More than 20 years. |
| 30. What was the nature and magnitude of audit adjustments for the FY 2015 and 2016 audits? | 30. See the Summary of Adjustments for information on the nature and magnitude of audit adjustments for FY 2015 and FY 2016:<http://auditor.vermont.gov/content/rfp_information> |
| 31. Can we obtain copies of your fiscal years 2015, 2016 and 2017 once available, management letters, if applicable? | 31. The management letter for FY15 audit was never finalized because comments on all major issues were in the Yellow Book report. The most recent audit (FY16) has not yet been finalized. |
| 32. What were the comprehensive audit fees for FY 2016 and 2017? Does the audit fee amount include any overrun billings? | 32. $1,713,450 for the FY16 audit, $1,848,335 for the FY15 audit. There was additional billing for both years for out-of-scope work, which included GASB statements not in effect when the contract began, the State health insurance exchange, and audit work for additional programs not included in the SOW. |
| 33. Do you anticipate any bond offerings during the contract period, and if so, what is the level of involvement by the auditors with bond offerings? | 33. Vermont typically has one General Fund bond offering per year (usually in the Fall).  We did not have one in FY 17, but that is unusual.  We would expect to have one each year during the contract period. The auditor has no involvement.  |
| 34. Have all departments fully implemented the Uniform Guidance requirements? If not, please describe. | 34. The State considers the UG implemented, however, there were findings in the 2016 compliance audit related to new requirements. For example, four findings managed by three different State entities had findings related to the required risk assessment (RA), ranging from a lack of a RA program to inadequate documentation. |
| 35. How soon after year end are the books closed? Are there any transaction streams for which testing can begin in July? | 35. GAAP adjustments are generally complete by early to mid-November. Transactions processed during the fiscal year on the ACTUALS ledger can be tested once the ledger has been closed. See Finance & Management’s closing instructions for more details:<http://finance.vermont.gov/sites/finance/files/documents/Pol_Proc/VISION_Closing_Instr/FIN-VISION_Year_End_Close_Instructions.pdf>  |
| 36. Have there been any communications from Federal Agencies identifying a program as high risk? | 36. Not to our knowledge, other than Medicaid which is deemed high risk by OMB for all states. |
| 37. Does the State anticipate significant impact to the financial statements from the implementation of GASB 84, GASB 87, or other recently issued pronouncements? | 37. GASB 84 will take effect for SFY 2020 and #87 will take effect the following year. We expect these statements will have an impact on the financial statements, but the significance of the impact is not known at this time. |
| 38. Have the actions outlined in the 2016 Corrective Action Plan been implemented in accordance with the scheduled completion dates? If not, please comment on the status, and revised timetable. | 38. The State does not have a centralized repository of findings, corrective action plans, and status. However, the Statewide Grants Administrator has an informal process to obtain updates on corrective action plans from certain State entities, including the Agency of Human Services. Generally, requests for updates are communicated during the summer. In addition, federal agencies, may contact the State seeking updates on corrective actions and the Statewide Grants Administrator assists with the coordination of responding to these requests. At this point, corrective action plans are in process, but updates have not been obtained.  |
| 39. Can you please provide an overview of the process for adjusting the State’s books and records from a cash basis at June 30 to GAAP basis records, including the nature of the documentation at the agency and Department of Finance and Management, and the roles and responsibilities of the agencies and Department of Finance and Management in that process? | 39. The Dept. of Finance & Management makes all GAAP adjustments for the governmental funds in the VISION system (PeopleSoft Financials). Departments with proprietary, pension/OPEB, and private purpose trust funds make all GAAP adjustments in VISION. Government-wide statement and Agency funds GAAP adjustments are made in spreadsheets. Fiscal year-end closing instructions can be found here:<http://finance.vermont.gov/sites/finance/files/documents/Pol_Proc/VISION_Closing_Instr/FIN-VISION_Year_End_Close_Instructions.pdf> |
| 40. Have the various state agencies which had audit findings resulting in qualified opinions over compliance implemented corrective action plans which have addressed the issues noted in the prior audit? | 40. Corrective action plans are in process. Due to the varying complexities of the program requirements and the corrective action plans, these are in varying stages of completion. Also see answer to #38. |
| 41. Are any of the OPEB plans Cost-sharing plans, for which an audit report over the allocation of the net OPEB liability would be required?  If so, is that audit expected to be included in this contract and bid submission? | 41. Yes, and yes. Work on this is taking place now. |
| 42. Have there been any delays or complications in the prior years related to receiving audited financial statements from components audited by other auditors? | 42. There have been minor delays but nothing significant that impacted the overall timeline.  |
| 43. Has there been any disagreement with the current auditor firm? If yes, please provide some background on the issue. | 43. No significant disagreements on the single audit. On the CAFR side, there has been disagreement on the interest rate used by the Retirement Actuary and occasionally other areas like Global Commitment Medicaid section 1115 waiver and Vermont Health Connect Medicaid eligibility waiver, but nothing that resulted in a modification to the CAFR opinion. |
| **Questions Posed During Teleconference** |
| 44. What is the extent of the total hours by subcontractors and could you provide a list of those subcontractors? | 44. *My response to this question during the teleconference was incorrect.*KPMG regularly uses two subcontractors: Marlene Bryant and McSoley, McCoy & Co. Thetotal subcontractor hours for the 2016 audit were 847.8. |
| 45. Does the Auditor’s Office support the audit in any way? Is there any part of the audit that is done by the office as part of the KPMG team or is KPMG doing all the work? | 45. It used to be the case that our office contributed considerable hours, but we no longer are engaged in any work for the financial or compliance audits. The extent of our office support is mainly in background work, getting information from agencies/department meetings when necessary and attending audit status meetings. We primarily act as a facilitator.  |
| 46. Regarding the answer to question #41 on OPEB allocation, does SAO’s response mean the work by the State is being done now?  | 46. Yes, some of the preliminary work is being done by the State now for the OPEB allocation. [Clarification after speaking with the Treasurer’s Office: A contract with a new actuary was approved last week, but the Treasurer’s Office has been engaged in identifying the essential issues for GASB 74 that are essential for the FY2017 audit, e.g., assumptions on health care trend rates, valuation, measurement and reporting dates.] |
| 47. Re: the last question (#43), has there been any disagreement or discussion regarding the OPEB discount rate? | 47. There has certainly been some discussion and disagreement between the current auditors and the Treasurer’s Office regarding the discount rate, but in each case they have reached agreement. [Note: my response was regarding the rate used for the pension trust funds, not OPEB.] |